

110TH CONGRESS
1ST SESSION

S. 1180

To amend the Internal Revenue Code of 1986 to extend the placed-in-service date requirement for low-income housing credit buildings in the Gulf Opportunity Zone, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 20, 2007

Ms. LANDRIEU introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to extend the placed-in-service date requirement for low-income housing credit buildings in the Gulf Opportunity Zone, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Workforce Housing
5 Construction for the GO Zone Act of 2007”.

1 **SEC. 2. EXTENSION OF PLACED-IN-SERVICE DATE RE-**
 2 **QUIREMENT FOR LOW-INCOME HOUSING**
 3 **CREDIT BUILDINGS IN GULF OPPORTUNITY**
 4 **ZONE.**

5 Section 1400N(c) of the Internal Revenue Code of
 6 1986 is amended—

7 (1) by striking “or 2008” in paragraph (3)(A)
 8 and inserting “2008, 2009, or 2010”,

9 (2) by striking “during such period” in para-
 10 graph (3)(B)(ii) and inserting “during the period de-
 11 scribed in subparagraph (A)”, and

12 (3) by striking “or 2008” in paragraph (4)(A)
 13 and inserting “2008, 2009, or 2010”.

14 **SEC. 3. PRESERVATION OF PREVIOUS LOW-INCOME HOUS-**
 15 **ING CREDIT BUILDINGS IN GULF OPPOR-**
 16 **TUNITY ZONE.**

17 (a) IN GENERAL.—If an owner of a qualified low-in-
 18 come building (as defined in section 42(c)(2) of the Inter-
 19 nal Revenue Code of 1986) located in the GO Zone (as
 20 defined in section 1400M(1) of such Code) in the second
 21 taxable year or later of the credit period (as defined in
 22 section 42(f)(1) of such Code) for such building—

23 (1) suffers a reduction in the qualified basis (as
 24 determined under section 42(b)(1) of such Code) of
 25 such building (hereinafter referred to as the “lost
 26 qualified basis”) as a result of a disaster that caused

1 the President to issue a major disaster declaration
2 as a result of Hurricanes Katrina and Rita, but
3 under subsection (j)(4)(E) of section 42 of such
4 Code avoids recapture or loss of low-income housing
5 credits previously allowed under such section with
6 respect to such building (hereinafter referred to as
7 the “existing credits”) by restoring the lost qualified
8 basis by reconstruction, replacement, or rehabilita-
9 tion within a reasonable period established by the
10 Secretary of the Treasury, and

11 (2) obtains an allocation of additional low-in-
12 come housing credits under such section to fund, in
13 whole or in part, the reconstruction, replacement, or
14 rehabilitation of such building (hereinafter referred
15 to as the “new credits”),

16 then the qualified basis of such building for purposes of
17 determining the new credits shall equal the excess (if any)
18 of such building’s qualified basis as of the close of the
19 first taxable year of the credit period (as so defined) with
20 respect to the new credits (assuming such reconstruction,
21 replacement, or rehabilitation expenditures meet the re-
22 quirements for treatment as a separate new building), over
23 such building’s qualified basis with respect to the existing
24 credits as determined immediately prior to the disaster re-
25 ferred to in paragraph (1).

1 (b) SPECIAL RULE FOR TIME FOR MAKING ALLOCA-
 2 TIONS OF CREDITS.—For purposes of section
 3 42(h)(1)(E)(ii) of the Internal Revenue Code of 1986,
 4 buildings described in subsection (a) shall be deemed to
 5 be qualified buildings.

6 (c) AVOIDANCE OF RECAPTURE OF CREDIT.—For
 7 purposes of section 42(j)(4)(E) of the Internal Revenue
 8 Code of 1986, qualified low-income housing projects (as
 9 defined in section 42(g)(1) of such Code) suffering cas-
 10 ualty as a result of a disaster that caused the President
 11 to issue a major disaster declaration for the Go Zone (as
 12 defined in section 1400M(1)) shall be deemed to have re-
 13 stored any casualty loss by reconstruction or replacement
 14 within a reasonable period if such loss is restored before
 15 January 1, 2011.

16 **SEC. 4. CREDIT ALLOWABLE FOR CERTAIN BUILDINGS AC-**
 17 **QUIRED DURING 10-YEAR PERIOD IN THE**
 18 **KATRINA, RITA, AND WILMA DISASTER**
 19 **AREAS.**

20 Section 1400N(c) of the Internal Revenue Code of
 21 1986 is amended by redesignating paragraph (5) as para-
 22 graph (6) and by inserting after paragraph (4) the fol-
 23 lowing new paragraph:

24 “(5) CREDIT ALLOWABLE FOR BUILDINGS AC-
 25 QUIRED DURING 10-YEAR PERIOD.—A waiver may be

1 granted under section 42(d)(6)(A) (without regard
 2 to any clause thereof) with respect to any building
 3 in the Gulf Opportunity Zone, the Rita GO Zone, or
 4 the Wilma GO Zone.”.

5 **SEC. 5. INCLUSION OF BASIS OF PROPERTY FOR MIXED IN-**
 6 **COME HOUSING IN KATRINA, RITA, AND**
 7 **WILMA DISASTER AREAS.**

8 Section 1400N(c) of the Internal Revenue Code of
 9 1986, as amended by this Act, is amended by redesign-
 10 ating paragraph (6) as paragraph (7) and by inserting
 11 after paragraph (5) the following new paragraph:

12 “(6) INCREASE IN APPLICABLE FRACTION FOR
 13 MIXED INCOME PROJECTS.—

14 “(A) IN GENERAL.—In the case of any
 15 qualified low-income housing project under sec-
 16 tion 42(g) which is located in the Gulf Oppor-
 17 tunity Zone, the Rita GO Zone, or the Wilma
 18 GO Zone and in which the applicable fraction
 19 for any building of such qualified low-income
 20 housing project is not less than 20 percent and
 21 not more than 60 percent but for the provisions
 22 of this subparagraph, the numerator of the ap-
 23 plicable fraction under section 42(c)(1)(B) shall
 24 be increased by—

1 “(i) one or 5 percent of the total num-
 2 ber of units (whichever adjustment pro-
 3 vides the largest unit fraction) for each
 4 building in the qualified low income hous-
 5 ing project in the case of the unit fraction
 6 under section 42(c)(1)(C), and

7 “(ii) five percent of the total floor
 8 space in the case of the floor space fraction
 9 under section 42(c)(1)(D).

10 “(B) APPLICATION.—Subparagraph (A)
 11 shall apply to—

12 “(i) housing credit dollar amounts al-
 13 located after December 31, 2007, and

14 “(ii) buildings placed in service after
 15 such date to the extent paragraph (1) of
 16 section 42(h) does not apply to any build-
 17 ing by reason of paragraph (4) thereof, but
 18 only with respect to bonds issued after
 19 such date.”.

20 **SEC. 6. OVER INCOME LOANS FOR KATRINA, RITA, AND**
 21 **WILMA DISASTER AREAS.**

22 (a) IN GENERAL.—Section 1400N(a)(5)(B) of the
 23 Internal Revenue Code of 1986 is amended by adding
 24 “and” at the end of clause (ii), by striking clause (iii),
 25 and by redesignating clause (iv) as clause (iii).

1 (b) MORTGAGE REVENUE BONDS.—Section
 2 1400T(a) of the Internal Revenue Code of 1986 is amend-
 3 ed by adding “and” at the end of paragraph (1), by strik-
 4 ing paragraph (2), and by redesignating paragraph (3) as
 5 paragraph (2).

6 (c) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply to bonds issued after the date of
 8 the enactment of this Act.

9 **SEC. 7. COMMUNITY DEVELOPMENT BLOCK GRANTS NOT**
 10 **TAKEN INTO ACCOUNT IN DETERMINING IF**
 11 **BUILDINGS ARE FEDERALLY SUBSIDIZED.**

12 Section 1400N(c) of the Internal Revenue Code of
 13 1986, as amended by this Act, is amended by redesign-
 14 ating paragraph (7) as paragraph (8) and by inserting
 15 after paragraph (6) the following new paragraph:

16 “(7) COMMUNITY DEVELOPMENT BLOCK
 17 GRANTS NOT TAKEN INTO ACCOUNT IN DETER-
 18 MINING IF BUILDINGS ARE FEDERALLY SUB-
 19 SIDIZED.—For purpose of applying section
 20 42(i)(2)(D) to any building which is placed in serv-
 21 ice in the Gulf Opportunity Zone, the Rita GO Zone,
 22 or the Wilma GO Zone during the period beginning
 23 on January 1, 2006, and ending on December 31,
 24 2010, a loan shall not be treated as a below market
 25 Federal loan solely by reason of any assistance pro-

1 vided under section 106, 107, or 108 of the Housing
 2 and Community Development Act of 1974 by reason
 3 of section 122 of such Act or any provision of the
 4 Department of Defense Appropriations Act, 2006, or
 5 the Emergency Supplemental Appropriations Act for
 6 Defense, the Global War on Terror, and Hurricane
 7 Recovery, 2006.”.

8 **SEC. 8. APPLICATION OF THE DEFINITIONS AND SPECIAL**
 9 **RULES UNDER SECTION 42(I) OF THE INTER-**
 10 **NAL REVENUE CODE OF 1986 FOR BOND-FI-**
 11 **NANCED PROJECTS.**

12 (a) IN GENERAL.—For purposes of qualifying as a
 13 qualified residential rental project under section 142(d)(1)
 14 of the Internal Revenue Code of 1986 [in the Gulf Oppor-
 15 tunity Zone, the Rita GO Zone, or the Wilma GO Zone],
 16 the special definitions and special rules for low-income
 17 units in section 42(i)(3) of such Code shall apply.

18 (b) EFFECTIVE DATE.—This section shall take apply
 19 to bonds issued after the date of the enactment of this
 20 Act.

1 **SEC. 9. SPECIAL TAX-EXEMPT BOND FINANCING RULE FOR**
 2 **REPAIRS AND RECONSTRUCTIONS OF RESI-**
 3 **DENCES IN THE GO ZONES.**

4 Section 1400N(a) of the Internal Revenue Code of
 5 1986 is amended by adding at the end the following new
 6 paragraph:

7 “(7) SPECIAL RULE FOR REPAIRS AND RECON-
 8 STRUCTIONS.—

9 “(A) IN GENERAL.—For purposes of sec-
 10 tion 143 and this subsection, any qualified GO
 11 Zone repair or reconstruction shall be treated
 12 as a qualified rehabilitation.

13 “(B) QUALIFIED GO ZONE REPAIR OR RE-
 14 CONSTRUCTION.—For purposes of subpara-
 15 graph (A), the term ‘qualified GO Zone repair
 16 or reconstruction’ means any repair of damage
 17 caused by Hurricane Katrina, Hurricane Rita,
 18 or Hurricane Wilma to a building located in the
 19 Gulf Opportunity Zone, the Rita GO Zone, or
 20 the Wilma GO Zone (or reconstruction of such
 21 building in the case of damage constituting de-
 22 struction) if the expenditures for such repair or
 23 reconstruction are 25 percent or more of the
 24 mortgagor’s adjusted basis in the residence.
 25 For purposes of the preceding sentence, the
 26 mortgagor’s adjusted basis shall be determined

1 as of the completion of the repair or reconstruc-
2 tion or, if later, the date on which the mort-
3 gator acquires the residence.

4 “(C) TERMINATION.—This paragraph shall
5 apply only to owner-financing provided after the
6 date of the enactment of this paragraph and be-
7 fore January 1, 2011.”.

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